

REVIEW OF THE STATE LAND GRAZING RATE

May 16, 2011

Land Board

By statute (§77-6-507(2), MCA), the minimum grazing rate for state land is annually set by multiplying the previous year's average price per pound of beef cattle in Montana times a multiplier established by the Board of Land Commissioners. That multiplier is set in administrative rule (36.25.110(3) ARM) and currently is **7.54**. It was adopted in September 2001.

In setting the multiplier, the Board under §77-6-502, MCA, must attain full market value and must consider the factors contained in §77-1-106, MCA which states:

Setting of rates or fees -- rules. (1) In setting the lease rental rates, agreement rates, or fees for the use of state lands and cabin sites, the board shall consider the impact of the uses on the school trust asset, lessee expenses for management, water development, weed control, fire control, the term of the lease, the production capabilities, the conditions on the lease payment, and any other required expenses reasonably borne by the lessee. In setting cabin site lease rates, the board shall consider expenses that are commonly incurred by the lessees to preserve the value of the state land or to provide services commonly provided by private lessors in the area.

(2) All lease rental rates, agreement rates, and fees established by the board under [77-1-208](#), [77-1-802](#), [77-1-815](#), [77-6-202](#), [77-6-501](#), [77-6-502](#), and [77-6-507](#) must consider the trust asset and be in the best interests of the state with regard to the long-term productivity of the school trust lands, while optimizing the return to the school trust.

(3) The board shall comply with Title 2, chapter 4, part 3, in setting rental rates, agreement rates, and license fees pursuant to [77-1-208](#), [77-1-802](#), [77-1-815](#), [77-6-202](#), [77-6-501](#), [77-6-502](#), and [77-6-507](#).

At their June 2010 meeting, the Board expressed an interest in reviewing the grazing rate charged on state land. Since the Board has not considered the current formula and multipliers for nearly 10 years, the Department recently contracted with Bioeconomics, Inc., to update work they had previously completed in their 1993 work titled "Economic Analysis of the Values of Surface Uses of State Lands – Task 3 Fair Market Value for Grazing Leases". In their updated work, Bioeconomics analysts suggest that fair market value is at least 70% of the private lease rate reported by the Montana Agricultural Statistics Service. Dr. John Duffield will present a summary of the information in the report to the Board.

The Bioeconomics report will be made available for a 30 day public review period. The Department will then bring forward a recommendation on proceeding with the grazing rate review.